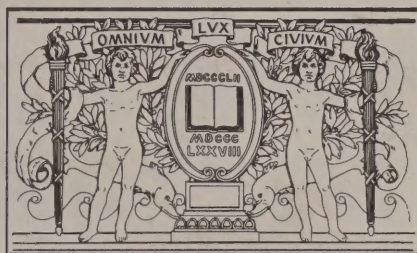
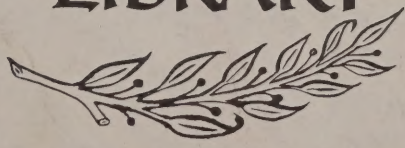


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IS BOSTON THE MOST COSTLY?

THE ANSWER IS NO!!

Boston Redevelopment Authority
Research Department

April 1975

Kevin H. White, Mayor
City of Boston

Robert T. Kenney, Director
Boston Redevelopment Authority

Alexander Ganz
Research Director

IS BOSTON THE MOST COSTLY?
THE ANSWER IS NO!!

The Boston Metro Region is not the most costly in the Nation. Nor have consumer prices here risen the most in recent years.

These are the findings of a study undertaken in the light of the much heralded report of the U.S. Bureau of Labor Statistics, AUTUMN 1974 URBAN FAMILY BUDGETS, issued April 9th, 1975, and headlined in the BOSTON GLOBE the following day under the title "BOSTON WINS MOST-COSTLY TITLE AGAIN".

Boston has many FIRSTS;

- the beginnings of the American Revolution;
- the highest relative share of its economy made up of broad-based services activity of any large city;
- the most rapid rate of growth in construction activity, since 1967, of any large City outside of the South and Southwest; and
- the only large City to have reversed a population decline in the 1960's into modest growth in the 1970s.

But "most costly" is not among Boston's legitimate titles, the "AUTUMN 1974 URBAN FAMILY BUDGETS" report to the contrary.

THE SOUTH WEST
AND NORTH WEST

The South West is the most fertile in the
region and has a long history of
settlement.

There are two distinct types of land in the
South West. The first is the fertile
land of the South West, which is the
most fertile in the region. The second
is the land of the North West, which is
less fertile. The South West is the
most fertile in the region and has a
long history of settlement.

The South West is the most fertile in the
region and has a long history of
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West is less fertile and has a shorter
history of settlement. The South West
is the most fertile in the region and
has a long history of settlement.

The Boston Metro Region has one of the highest levels of per capita income in the Nation. Of the 39 metro regions compared in the U.S. Bureau of Labor Statistics report, Boston ranks 11th in per capita income. See Table I. And since spending is closely associated with income, one would expect that family spending levels in the Boston Metro Area would be high, and they are. After all Boston is at the end of the distribution line, highly dependent on food from California, and fuel oil from Venezuela, and food costs and heating costs are high, but living costs here are not the highest.

The U.S. Bureau of Labor Statistics report incorporates questionable treatment of both income taxes and property taxes, and this is the crux of the matter. The report presents measures of the annual costs of hypothetical budgets for a 4-person family, living at "lower", "intermediate", and "higher" levels in 39 metro areas, and, includes the costs of expenditures for goods and services as well as taxes, but the way in which taxes are handled is questionable.

Boston's Rank in a Proper Comparison

In measuring personal income tax costs, the U.S. Bureau of Labor Statistics methodology argues that if spending costs are higher, a larger income is required, and tax payments will be greater. These higher U.S. BLS tax calculations are then added back into budget costs. But this is hardly a proper way to measure comparative tax burdens which should be calculated on an identical income base, thereby correctly reflecting the effect of differential rates of state and local income taxes.

Property taxes show up as part of "shelter cost". Thus, the calculation includes 70 percent of the entire Boston revenue base which is the most dependent on property taxes. Other cities have city income and city sales taxes to compensate for their smaller property tax base, but these do not show up as shelter costs. Higher shelter costs for Boston mean higher total budget expenditure costs requiring a higher level of income which incurs a higher personal income tax cost. This circular reasoning in the U.S. BLS methodology is open to question.

When total budget costs, as reported by the U.S. Bureau of Labor Statistics, are adjusted to exclude taxes so that the adjusted budget comparisons might reflect comparable expenditure costs, Boston ranks 6th among eleven large metro areas, with actual budget expenditure costs in the New York, Cleveland, Philadelphia, Washington, D.C., and Detroit Metro Areas leading Boston. See Chart I. Boston's Rank in Consumer Price Increases.

Similarly, Boston is far from being the leader in price inflation. The U.S. Bureau of Labor Statistics indices of consumer prices show that, in comparison with the 1967 base with respect to which changes in consumer price levels are measured, Boston ranks 5th among ten large metro areas in the increase in consumer price levels between 1967 and 1974. See Chart II. Boston's consumer price index for 1974, taking 1967 as a base, is exceeded by those for New York, Philadelphia, Washington, D.C., and Detroit.

Two Measures of Income Tax Burdens

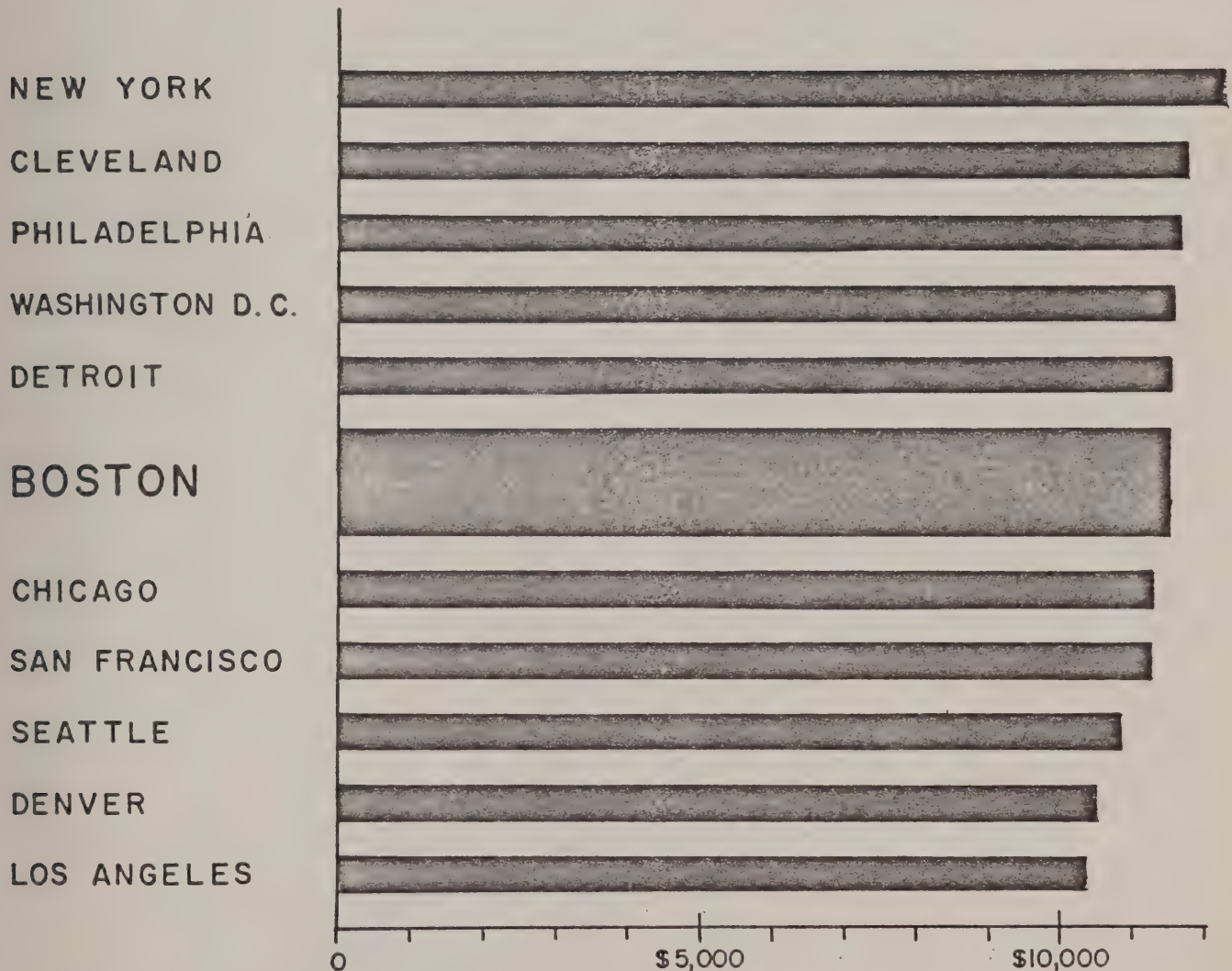
Insight into the questionable nature of the U.S. BLS treatment of income taxes may be seen in a comparison of

I.

HOW BOSTON RANKS IN LIVING COSTS IN COMPARISON WITH TEN OF THE NATION'S LARGEST METROPOLITAN AREAS

1974

TOTAL BUDGET COSTS
EXCLUDING TAXES

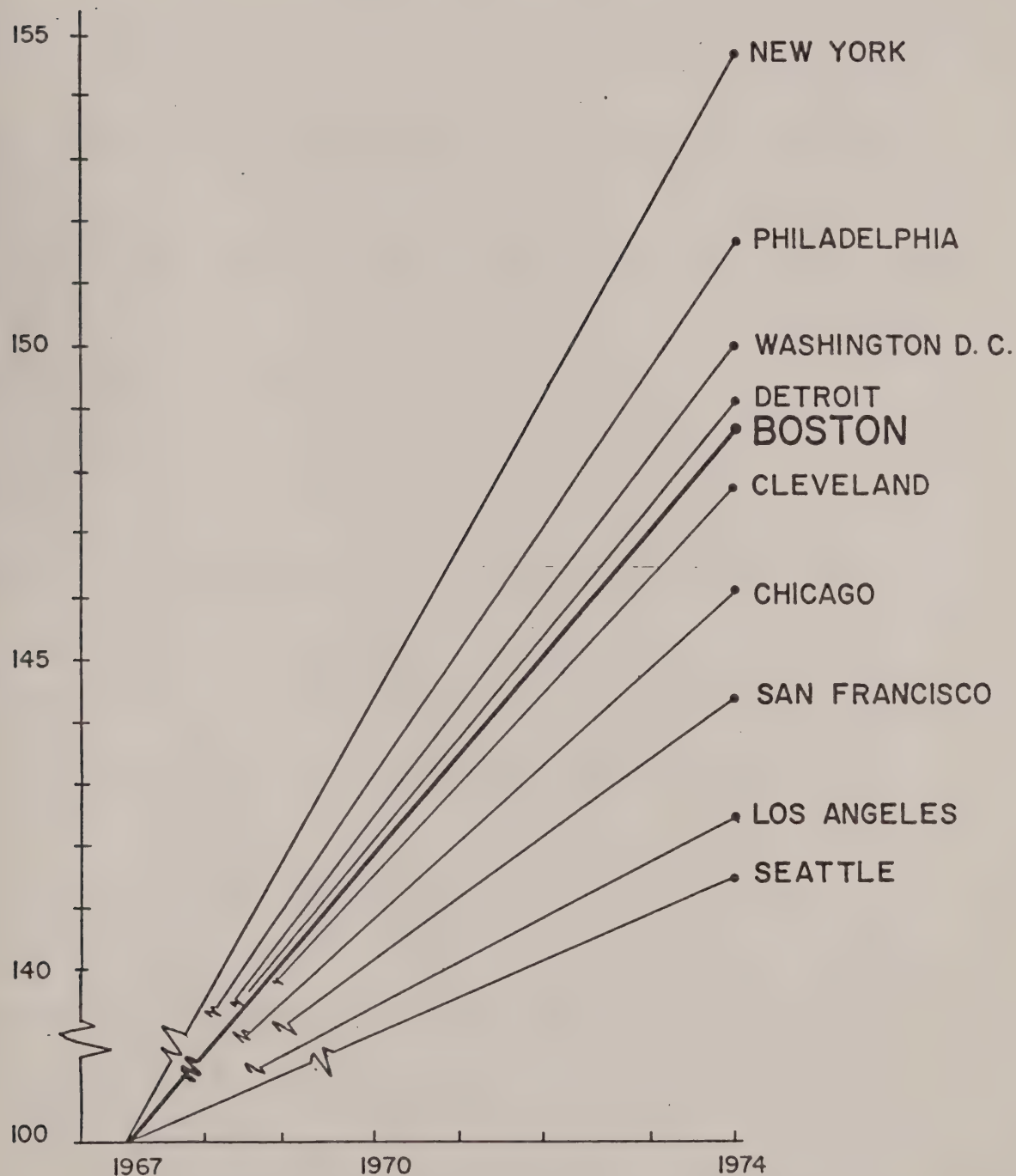


SOURCE: BOSTON REDEVELOPMENT AUTHORITY,
RESEARCH DEPARTMENT, SEE TABLE IV

HOW BOSTON RANKS IN LIVING COSTS

IN COMPARISON WITH NINE OF THE NATION'S LARGEST METROPOLITAN AREAS

CONSUMER PRICE INCREASES 1967 - 1974



SOURCE: BOSTON REDEVELOPMENT AUTHORITY
RESEARCH DEPARTMENT, SEE TABLE VII

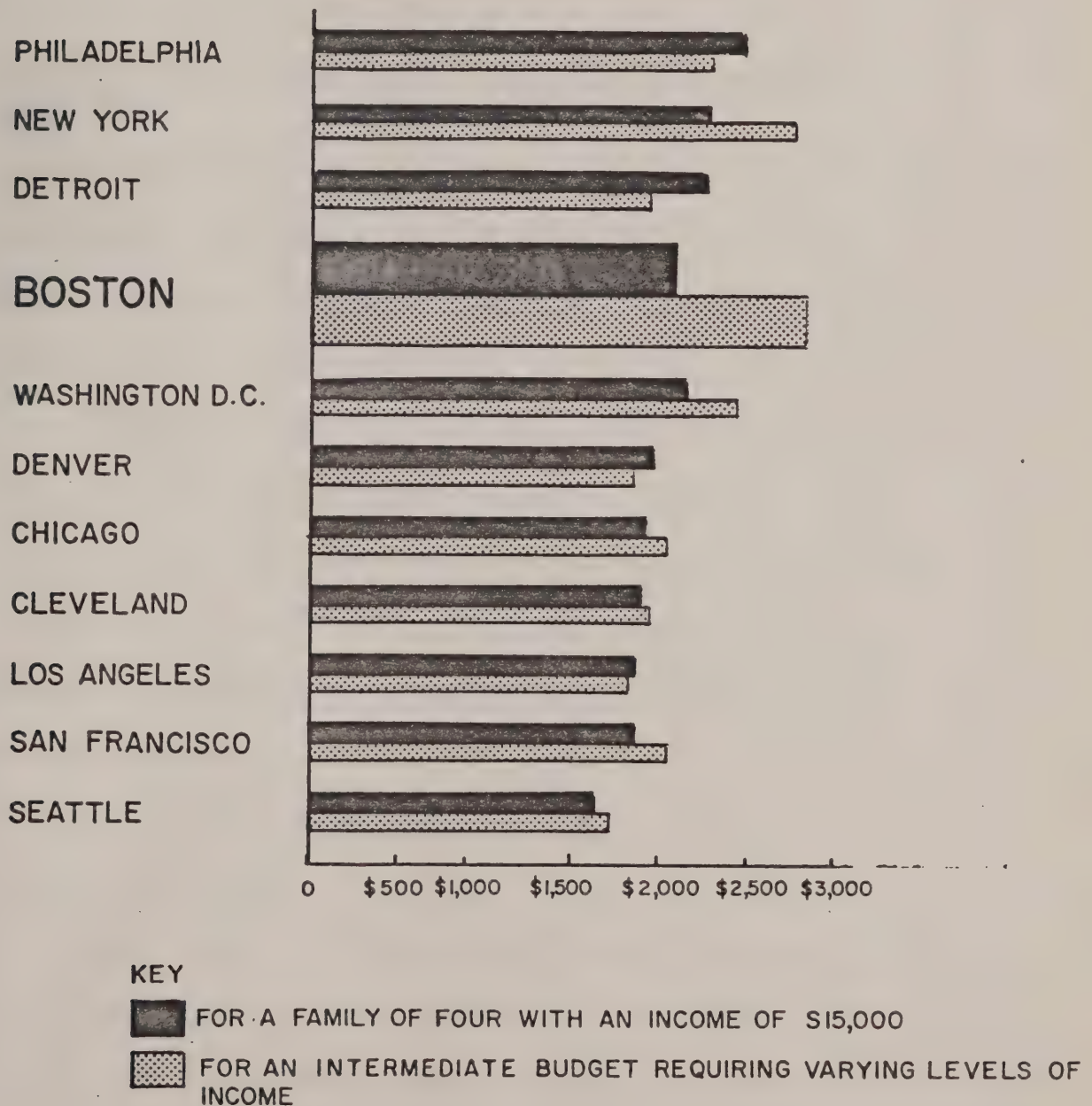
(1) income taxes for a 4-person family in an intermediate budget (as measured by the U.S. BLS), and (2) income taxes for a family of 4 with an income of \$15,000. See Chart III. Using the latter as the basis for comparison, Boston ranks 4th, preceded in comparative income tax burdens by Philadelphia, New York and Detroit. The U.S. BLS measure ranks Boston, which does not have a City income tax, first. Even more startling is the difference in the measure of burden for Boston, with the U.S. BLS presenting an income tax cost of \$2,839 in comparison with \$2,187 utilizing a family income level of \$15,000. The higher U.S. BLS income tax level for Boston flows from the use of the higher level of income required to meet the higher level of expenditures which include property taxes for Boston, but do not include (as expenditures) the City income taxes prevalent in a number of other areas.

Boston's Rank in Shelter Costs

The effect of inclusion of property taxes as shelter costs, while excluding the City sales and income taxes affecting many other areas, is seen in a comparison of shelter costs with and without property taxes. In a comparison of 11 large metro areas, the U.S. BLS report ranks

III.
HOW BOSTON RANKS IN LIVING COSTS
IN COMPARISON WITH TEN OF THE NATION'S
LARGEST METROPOLITAN AREAS
1974

FEDERAL, STATE & LOCAL PERSONAL INCOME TAXES
TWO MEASURES OF BURDEN



SOURCE: BOSTON REDEVELOPMENT AUTHORITY
RESEARCH DEPARTMENT, SEE TABLE III

Boston first in shelter costs. When property taxes, for a family of 4 with an income of \$15,000, are excluded, however, shelter costs in Boston rank 9th, behind New York, Seattle, Cleveland, Washington, D.C., Detroit, Philadelphia, and Chicago. See Chart IV.

Boston's Rank in Budget Costs with Comparable Income
Tax Burdens

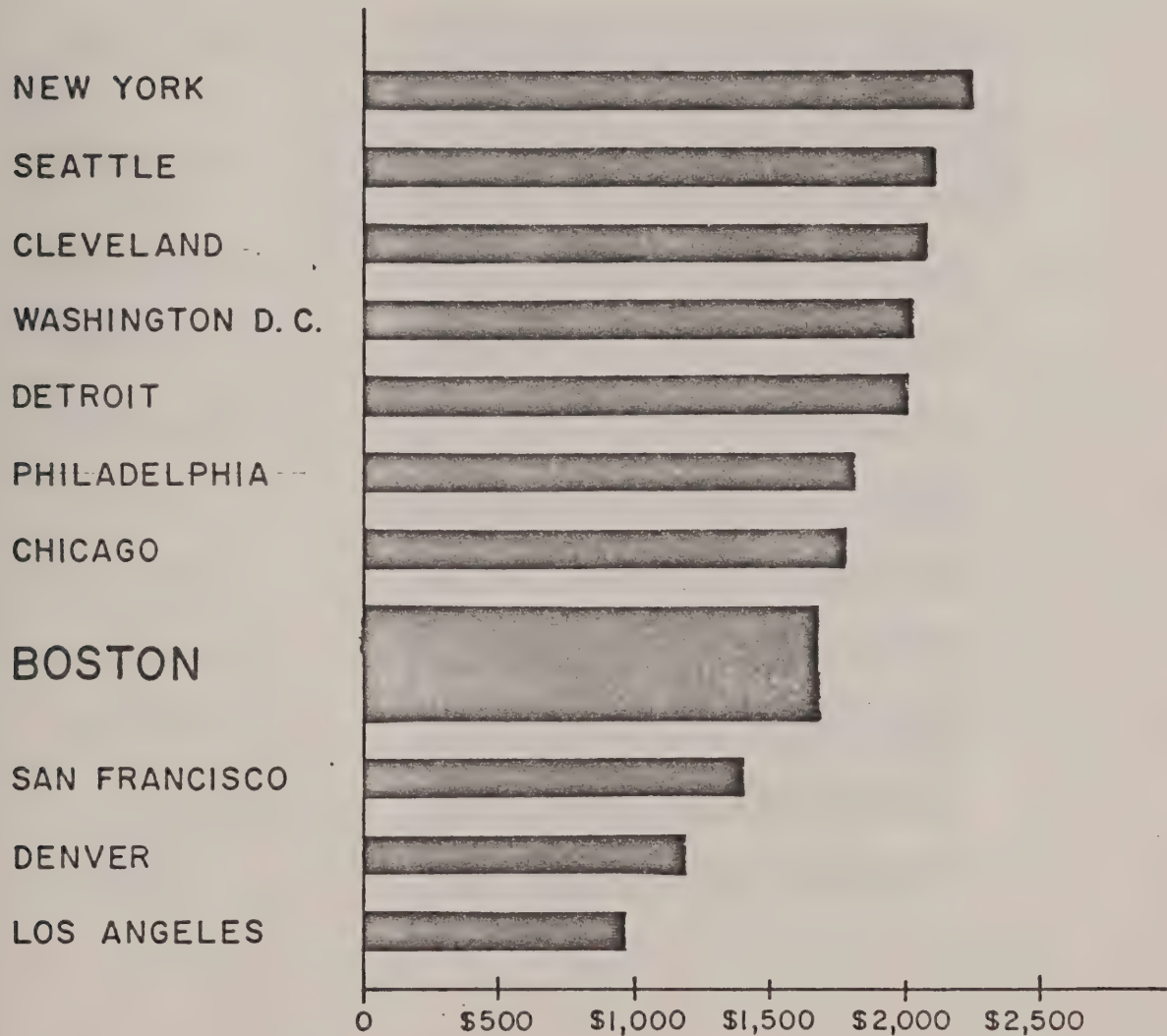
One could argue that taxes are higher in Boston, (which is the case), and should be included in budget costs. A proper comparison requires, however, that the income tax burdens be measured against the same income level base. Such a comparison would correctly reflect the effect of differential state and local income tax burdens. This can be done by excluding the U.S. BLS measure of personal income taxes (calculated for varying levels of income), and substituting for it a calculation of federal, state, and local income taxes for a 4-person family with an income of \$15,000. The results of such a comparison show that when eleven large metro areas are ranked for total budget costs with comparable income tax base burdens, that Boston again is not the highest. See Chart V. Boston ranks behind New York.

IV.

HOW BOSTON RANKS IN LIVING COSTS
IN COMPARISON WITH TEN OF THE NATION'S
LARGEST METROPOLITAN AREAS

1974

SHELTER COSTS EXCLUDING PROPERTY TAXES



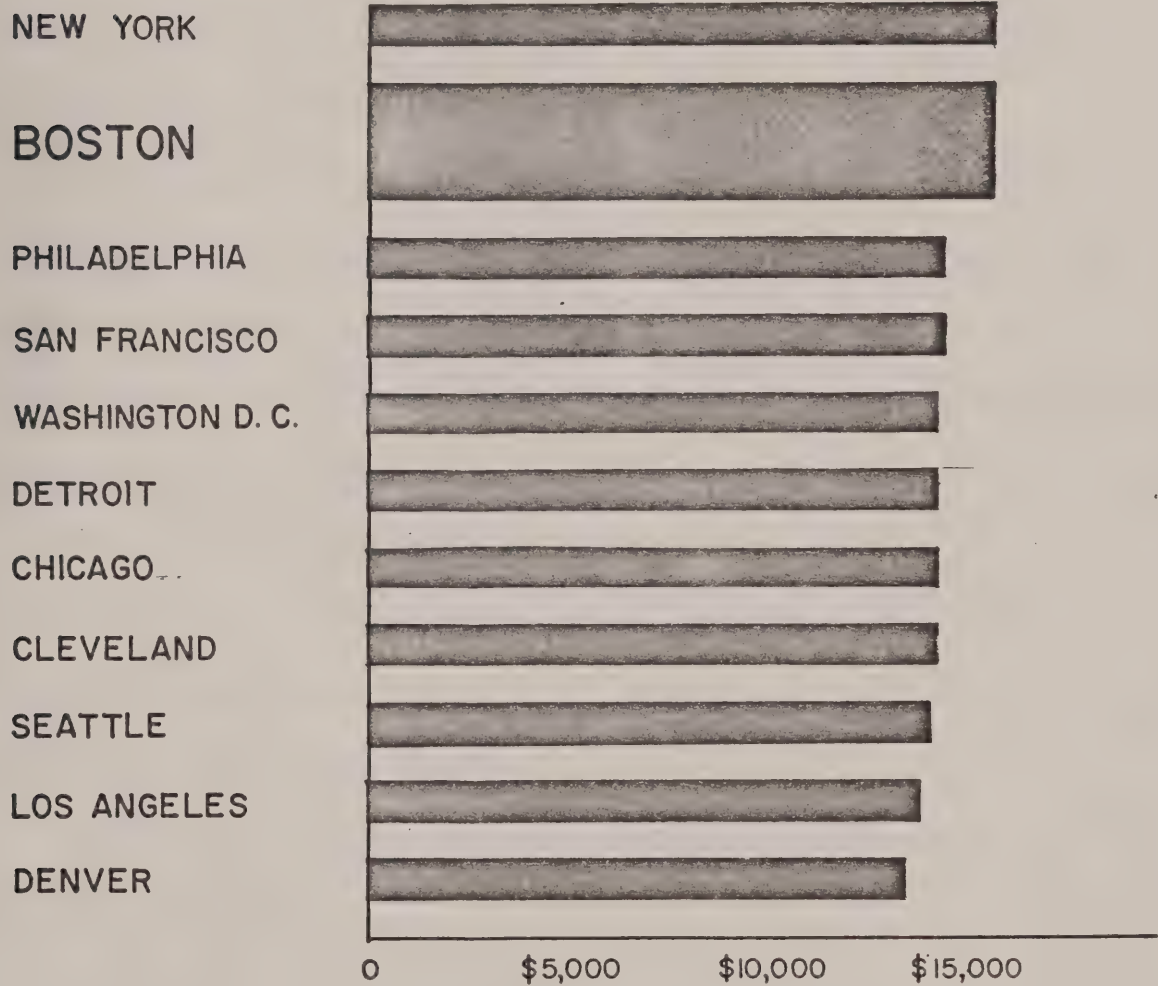
SOURCE: BOSTON REDEVELOPMENT AUTHORITY,
RESEARCH DEPARTMENT, SEE TABLE V.

HOW BOSTON RANKS IN LIVING COST IN COMPARISON WITH TEN OF THE NATIONS LARGEST METROPOLITAN AREAS

1974

TOTAL BUDGET COST *

WITH COMPARABLE INCOME TAX BURDENS



*INTERMEDIATE BUDGET COST FOR A 4-PERSON FAMILY

SOURCE: BOSTON REDEVELOPMENT AUTHORITY
RESEARCH DEPARTMENT, SEE TABLE II

How Boston Ranks in Other Budget Expenditure Levels

Having deflated the title bestowed on Boston as the "most-costly", it is interesting, nevertheless, to note how Boston compares in other major expenditure costs.

In the case of food costs, Boston is 3rd, exceeded by New York and Philadelphia. See Chart VI.

In transportation, Boston is second, - to Chicago.

In clothing, personal care and medical care, Boston is a laggard in budget costs, ranking 9th, 10th, and 11th, respectively, in a comparison of eleven large metro regions.

Background Comparisons

The preceding analysis is drawn from a series of tables included in this study as an Appendix. The focus is on the budget costs for an "intermediate" standard of living for a 4-person family.

Sources and methods for the analysis are as cited in the table references.

HOW BOSTON RANKS IN LIVING COSTS

IN COMPARISON WITH TEN OF THE NATION'S LARGEST METROPOLITAN AREAS

AUTUMN 1974

TOTAL INTERMEDIATE BUDGET COSTS
FOR A 4 PERSON FAMILY
AS REPORTED BY THE
U.S. BUREAU OF LABOR STATISTICS



1st

TOTAL BUDGET WITH COMPARABLE
INCOME TAX BURDENS



2nd

BUDGET INCOME TAX CALCULATIONS



1st

COMPARABLE INCOME TAX BURDENS



4th

TOTAL BUDGET EXCLUDING TAXES



6th

SHELTER COSTS
EXCLUDING PROPERTY TAXES



8th

FOOD



3rd

TRANSPORTATION



2nd

CLOTHING



9th

PERSONAL CARE



10th

MEDICAL CARE

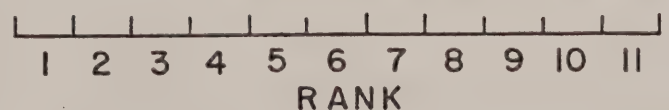


11th

INCREASE IN CONSUMER PRICES 1967-74



5th



SOURCE: BOSTON REDEVELOPMENT AUTHORITY,
RESEARCH DEPARTMENT.
SEE TABLES II, III, IV, V, VI & VII

Table I

1972 PER CAPITA INCOME-BOSTON METRO REGION AND
OTHER SELECTED METROPOLITAN AREAS*

	<u>Dollars</u>	<u>Rank</u>
United States Average	\$ 4,492	
Metro Area Average	4,825	
New York	6,102	1
San Francisco	5,879	2
Washington	5,862	3
Chicago	5,551	4
Detroit	5,439	5
Los Angeles	5,435	6
Honolulu	5,359	7
Cleveland	5,218	8
Hartford	5,168	9
Denver	5,150	10
BOSTON	5,055	11
Minneapolis	5,030	12
Milwaukee	5,028	13
Philadelphia	4,942	14
Kansas City	4,906	15
Seattle	4,851	16
Indianapolis	4,823	17
St. Louis	4,818	18
Atlanta	4,793	19
Dayton	4,772	20
San Diego	4,727	21
Buffalo	4,655	22
Pittsburgh	4,649	23
Dallas	4,631	24
Cincinnati	4,601	25
Baltimore	4,588	26
Cedar Rapids, Iowa	4,567	27
Houston, Texas	4,565	28
Wichita	4,541	29
Lancaster, Pa.	4,452	30
Orlando, Fla.	4,420	31
Champaign, Ill.	4,322	32
Portland, Me.	4,266	33
Durham, N.C.	4,246	34
Nashville	4,136	35
Bakersfield, Cal.	4,071	36
Green Bay, Wis.	4,022	37
Baton Rouge	3,770	38
Austin, Texas	3,741	39

Source: U.S. Department of Commerce, Bureau of Economic
Analysis, Survey of Current Business, May 1974,
Part II, Local Area Personal Income.

Table II

ANNUAL COSTS OF AN INTERMEDIATE BUDGET FOR A 4-PERSON FAMILY
INCLUDING FEDERAL, STATE, AND LOCAL PERSONAL INCOME TAXES
FOR A FAMILY WITH A \$15,000 INCOME LEVEL

	Total Budget As Reported by the U.S. Bureau of Labor Statistics	Personal Income Taxes	Total Budget Less Personal Income Taxes (1-2)	Federal Income Taxes	State and Local Income Taxes	Total Budget Including Directly Calculated Federal & State Personal Income Taxes for a Family of 4 with an Income of \$15,000 (3+4+5)	Ra
New York	16,648	\$2,757	\$13,891	\$1,650	\$611	\$16,152	
BOSTON	16,725	2,839	13,886	1,650	537	16,073	
Philadelphia	14,757	2,299	12,458	1,650	842	14,950	
San Francisco	15,127	2,080	13,047	1,650	234	14,931	
Washington, D.C.	15,035	2,425	12,610	1,650	493	14,753	
Detroit	14,390	1,919	12,471	1,650	579	14,700	
Chicago	14,797	2,044	12,753	1,650	275	14,678	
Cleveland	14,617	1,933	12,684	1,650	255	14,589	
METRO AREA AVERAGE	14,644	2,089	12,555	1,650	317	14,522	
Seattle	14,487	1,710	12,777	1,650	-	14,427	1
Los Angeles	14,068	1,819	12,249	1,650	234	14,133	1
Denver	13,606	1,854	11,752	1,650	311	13,713	1

Sources: Cols. 1, 2, & 3: U.S. Bureau of Labor Statistics, Autumn 1974, Urban Family Budgets, Washington, D.C., Apr. 9, 1975

Col. 4: U.S. Advisory Commission on Intergovernmental Relations, Staff Computations, Report A-40.

Col. 5: Government of the District of Columbia, Department of Finance and Revenue, 1972-73 Major State and Local Tax Burdens in Washington Compared with Those in the 30 Largest Cities, December 1972.

Col. 6 = Cols. 3 + 4 + 5.

Table III

FEDERAL, STATE AND LOCAL PERSONAL INCOME TAXES
FOR SELECTED AREAS

	As Reported For A 4-Person Family in an Intermediate <u>Budget</u>	<u>Rank</u>	For a Family of 4 with An Income <u>Of \$15,000</u>	<u>Rank</u>
Philadelphia	\$2,299	3	\$2,492	1
New York	2,757	2	2,261	2
Detroit	1,919	9	2,229	3
BOSTON	2,839	1	2,187	4
Washington, D.C.	2,425	4	2,143	5
METRO AREA AVERAGE	2,089	5	1,967	6
Denver	1,854	10	1,961	7
Chicago	2,044	7	1,925	8
Cleveland	1,933	8	1,905	9
Los Angeles	1,819	11	1,884	10
San Francisco	2,080	6	1,884	
Seattle	1,710	12	1,650	11

Sources: Col. 1 - Table II, Col. 2

Col. 2 - Table II, Cols. 4 + 5.

Table IV

ANNUAL COSTS OF AN INTERMEDIATE BUDGET FOR A 4-PERSON FAMILY
EXCLUDING INCOME, REAL ESTATE, SALES AND AUTO TAXES FOR A
FAMILY OF 4 WITH AN INCOME LEVEL OF \$15,000

	Total Budget Excluding Federal, State & Local Personal Income Taxes	Real Estate Taxes	Sales Tax	Auto Tax	Total Budget Excluding Taxes (1-2-3-4)	Ra
New York	\$13,891	\$1,126	\$317	\$166	\$12,282	
Cleveland	12,684	665	138	89	11,756	
Philadelphia	12,458	501	130	105	11,722	
Washington, D.C.	12,610	558	233	159	11,660	
Detroit	12,471	553	222	102	11,594	
BOSTON	13,886	2,012	47	264	11,563	
Los Angeles	12,249	1,444	184	144	10,477	
METRO AREA AVERAGE	12,555	780	205	134	11,346	
Chicago	12,753	965	260	201	11,327	
San Francisco	13,047	1,422	202	144	11,279	1
Seattle	12,777	547	277	973	10,980	1
Denver	11,752	763	326	140	10,523	1

Sources: Col. 1 - Table II, Col. 3

Cols. 2, 3, & 4 - Government of the District of Columbia,
op.cit., see Table II

Col. 5 = Col. 1-2-3-4

Table V

SHELTER COSTS EXCLUDING PROPERTY TAXES
IN AN INTERMEDIATE BUDGET FOR A 4-PERSON FAMILY

	<u>Shelter Costs</u>	<u>Property Taxes For a Family of 4 with an Income of \$15,000</u>	<u>Shelter Costs Excluding Property Taxes</u>	<u>Rank</u>
New York	\$3,374	\$1,126	\$2,248	1
Seattle	2,682	547	2,135	2
Cleveland	2,750	665	2,085	3
Washington, D.C.	2,587	558	2,029	4
Detroit	2,571	553	2,018	5
Philadelphia	2,382	501	1,881	6
METRO AREA AVERAGE	2,595	780	1,815	7
Chicago	2,775	965	1,810	8
BOSTON	3,707	2,012	1,695	9
San Francisco	2,835	1,422	1,413	10
Denver	2,029	763	1,266	11
Los Angeles	2,399	1,444	955	12

Sources: Col. 1 - U.S. Bureau of Labor Statistics, op.cit.,
see Table II.

Col. 2 - Government of the District of Columbia, op.cit.

Col. 3 - Cols. 1-2.

Table VI

ANNUAL COSTS OF AN INTERMEDIATE BUDGET FOR
A 4-PERSON FAMILY; RANKING OF METRO AREAS

	<u>Food</u>	<u>Housing</u>	<u>Transporta- tion</u>	<u>Clothing</u>	<u>Personal Care</u>	<u>Medical Care</u>	<u>Rank</u>
New York	\$5,176	\$6,293	\$1,632	\$1,641	\$453	\$851	1
Philadelphia	4,825	4,741	1,583	1,537	422	780	2
BOSTON	4,757	6,799	1,668	1,610	428	743	3
Washington, D.C.	4,612	4,964	1,582	1,509	462	801	4
Detroit	4,563	5,037	1,458	1,627	459	807	5
METRO AREA AVERAGE	4,548	5,069	1,545	1,613	443	795	6
San Francisco	4,529	5,310	1,573	1,671	505	862	7
Seattle	4,521	5,203	1,451	1,649	458	817	8
Chicago	4,519	5,086	1,699	1,612	452	805	9
Los Angeles	4,410	4,897	1,570	1,559	426	942	10
Cleveland	4,381	5,101	1,485	1,696	507	760	11
Denver	4,342	4,245	1,415	1,717	437	728	12

Source: U.S. Bureau of Labor Statistics, op.cit., see Table II.

Table VII

CONSUMER PRICE INDEX FOR SELECTED METROPOLITAN AREAS, 1974
(1967=100)

	<u>1974</u>	<u>Rank</u>
New York	154.7	1
Philadelphia	151.6	2
Washington, D.C.	150.0	3
Detroit	149.1	4
BOSTON	148.7	5
Cleveland	147.8	6
UNITED STATES TOTAL	147.7	7
Chicago	146.1	8
San Francisco	144.4	9
Los Angeles	142.5	10
Seattle	141.5	11

Source: U.S. Department of Labor, Monthly Labor Review,
March 1975.

COMMITTEE PRICE INDEX FOR SELECTED METROPOLITAN AREAS, 1934
(1934=100)

Area	1934	1935
New York	100.0	101.5
Philadelphia	100.0	101.2
Washington, D.C.	100.0	101.0
Boston	100.0	100.8
Cleveland	100.0	100.5
United States Total	100.0	100.3
Chicago	100.0	100.2
San Francisco	100.0	100.1
Los Angeles	100.0	100.0
Seattle	100.0	99.8

Source: U.S. Department of Labor, Monthly Labor Review.
March 1935.

